Telia reports strong sales in its high-priority growth areas.
The Group's total net sales increased by 15 percent during the third quarter.

Interim Report January–September 2000

TELIA

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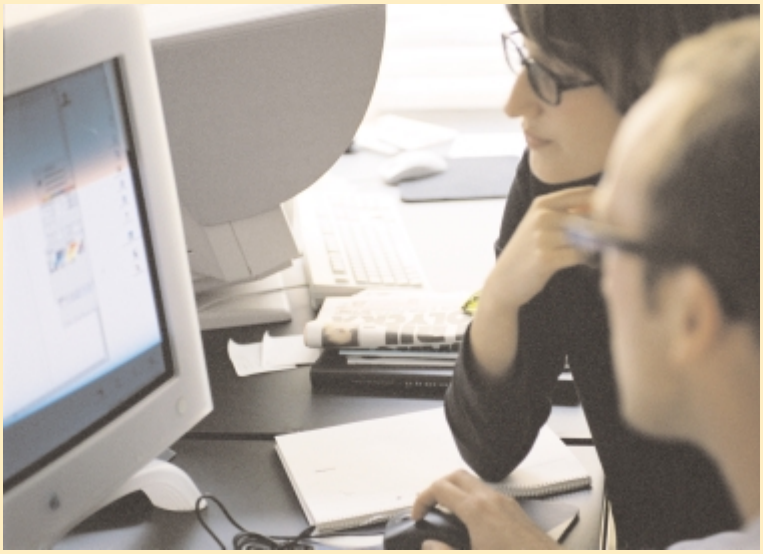


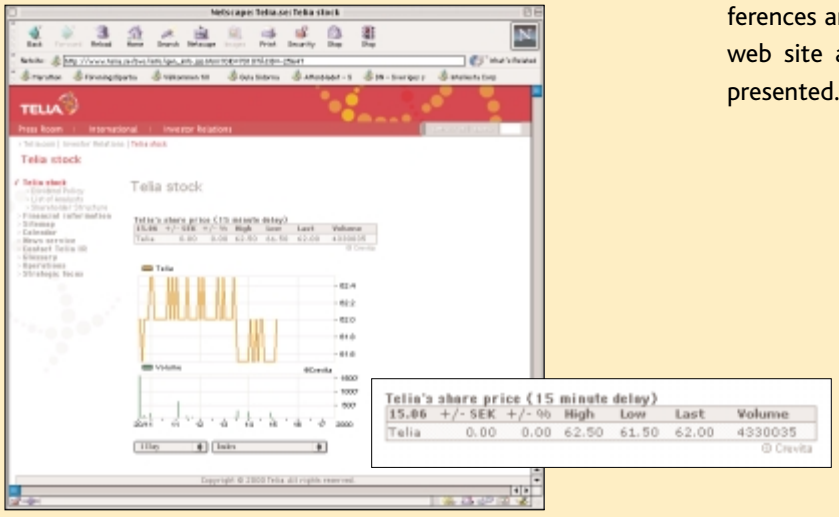
Financial information is available from our web site at www.telia.com, in the Investor Relations section.

Interim reports and annual reports are posted on our web site as soon as they are published and all press releases from Telia are available online.

Our web site also describes Telia's operations and strategic initiatives and provides interesting market data about subscription growth and sales in our business areas and product segments.

You can also track the share price and check trading volume for Telia shares on our web site, or find information about which analysts monitor Telia.

Group executive management press conferences are broadcast "live" via our Swedish web site at www.telia.se when reports are presented.



Financial information

Annual Report Summary, Jan–Dec 2000	February 19
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Please direct questions regarding content to:

Telia AB, Investor Relations
SE-123 86 Farsta, Sweden
Tel. +46 8 713 10 00
Fax +46 8 713 69 47 or online at www.telia.com, Investor Relations.

Reports can be ordered via:

Tel. +46 8 713 71 43
Fax +46 8 604 54 72
or online at www.telia.com, Investor Relations, News service.

The Telia Group January–September 2000

- The Group's net sales increased 6 percent, with an increase of 15 percent during the third quarter.
- Strong sales in growth areas: Mobile telephony +38 percent, Network wholesaling, Sweden +66 percent, International Carrier +27 percent, Internet +15 percent.
- Operating income totaled MSEK 4,076, and underlying EBITDA was MSEK 9,297.
- Substantial investments were made during the period.
- Eniro listed on the stock exchange in October.

Review of Group Earnings

MSEK	Jul–Sep 2000	Jul–Sep 1999	Jan–Sep 2000	Jan–Sep 1999	Full Year 1999
Net sales	13,487	11,771	39,524	37,234	52,121
Sales growth (%)	14.6	–0.8	6.2	4.3	5.1
Underlying EBITDA	3,180	3,466	9,297	10,716	14,059
Underlying EBITDA margin (%)	23.6	29.4	23.5	28.8	27.0
Operating income	206	1,150	4,076	3,441	5,946
Income after financial net	267	1,244	4,059	3,535	5,980
Net income	172	869	2,870	2,467	4,222
Earnings per share (SEK)	0.06	0.30	0.99	0.87	1.48
Return on equity (%)	12.1	11.6	12.1	11.6	14.2
Investments	16,745	2,121	37,431	7,233	12,145
of which shares and participations	1,919	404	5,184	2,113	4,109

Summary

The Telia Group reported strong sales growth in its high-priority areas.

A sharp rise in the number of GSM customers in Sweden, Denmark and Finland and the acquisition of the Norwegian mobile operator NetCom ASA boosted sales growth in the mobile business and secured Telia's position on the Nordic market.

Successful cultivation of the international carrier market has led to greatly increased traffic volumes in Telia's fiber-optic network, The Viking Network, under construction in Europe and USA.

The Group's total net sales climbed during the nine-month period by 6.2 percent to MSEK 39,524. The increase in the third quarter was 14.6 percent.

The rate cuts in fixed telephony aimed at increasing Telia's competitive capacity in the Swedish retail market have mainly been compensated through efficiency measures, increased sales of premium services as well as sales of traffic and network capacity to external operators and service providers in Sweden.

Underlying EBITDA declined by 13 percent to MSEK 9,297 due to substantial investments to secure the Group's future earnings growth. The decline in the third quarter was 8 percent.

Operating income rose from MSEK 3,441 to MSEK 4,076, of which MSEK 1,569 consists of capital gains and other one-off charges.

The directory company Eniro was successfully listed in October as a part of the refine and focus strategy.

The level of investment has risen chiefly through the strategic acquisition of NetCom and the expansion of the international carrier network.

Sales

Net Sales per Business Area and Product Segment [1)]

	Jan–Sep 2000 MSEK	Chg. %	Jan–Sep 1999 MSEK	Full Year 1999 MSEK
Mobile				
Mobile telephony	7,881	37.9	5,717	7,971
Other	584	20.7	484	685
	8,465	**36.5**	**6,201**	**8,656**
Carrier & Networks				
Skanova	2,282	66.0	1,375	2,191
International Carrier	1,935	26.6	1,528	2,137
	4,217	**45.3**	**2,903**	**4,328**
Business/People Solutions				
Fixed telephony	15,564	–11.0	17,483	23,115
Leased lines	1,188	4.4	1,138	1,560
Data communications	1,349	–11.8	1,529	2,020
Internet	1,057	15.1	918	1,255
Other	1,672	1.0	1,655	2,384
	20,830	**–8.3**	**22,723**	**30,334**
Enterprises	**5,919**	**10.0**	**5,379**	**8,778**
Group-wide	**93**	**..**	**28**	**25**
Total	**39,524**	**6.2**	**37,234**	**52,121**

1) For further information: www.telia.com, Investor Relations, Sales by Business Area and Product Segment (detailed information).

The Group's net sales rose by 14.6 percent during the third quarter compared to the third quarter of 1999. The increase was 8.4 percent for comparable units. For the nine-month period ended September 30, these items increased 6.2 percent and 4.8 percent respectively.

Growth is primarily driven by greatly increased sales in mobile telephony, as well as robust growth in demand for the international carrier and Swedish network wholesale businesses.

Adjusting for price cuts made, Telia reported an 11 percent increase in sales during the period.

Sharp rise in mobile telephony customers

The total number of mobile telephony customers in the Nordic countries grew by 1,522,000 to 4,363,000. Slightly over half the increase, i.e. 773,000, is attributable to the acquisition of NetCom ASA in Norway. Net sales for mobile telephony increased by 65 percent in the third quarter. For the nine-month period as a whole, sales increased by 38 percent to MSEK 7,881.

Net sales in Telia's international carrier business rose by 64 percent in the third quarter. For the nine-month period, sales increased by 27 percent to MSEK 1,935. Deregulation and increasing use of the Internet are creating demand on the transport of telephony and IP-based traffic in the global carrier market.

A total market decline combined with increased competition in conjunction with the carrier preselect reform and heavy price cuts (8.4 percent) resulted in weaker sales in fixed telephony in the Swedish retail market. The decrease has been partially compensated by increased sales of premium services and rising sales in Swedish network wholesaling in which sales from external customers rose by slightly over 100 percent during the third quarter. Sales surged by 66 percent to MSEK 2,282 for the period.

Demand for Internet access continued to climb. The number of Internet customers has risen during the year from 613,000 to 720,000 in the Swedish market and sales increased by 24 percent to MSEK 1,000. Growth in the third quarter was 27 percent.

Demand for broadband was strong. The general agreements signed with property owners and cooperative buildings indicated at the end of the period customer potential of 653,000 households in the fixed network and 301,000 in the cable TV network. At the end of the period, 22,750 and 14,400 customers were connected to each network, respectively.

Earnings

Underlying EBITDA and Operating Income

MSEK	Jan–Sep 2000	Jan–Sep 1999	Full Year 1999
Mobile	2,162	2,334	3,507
Carrier & Networks	5,701	6,196	7,872
Business Solutions	789	855	1,192
People Solutions	611	1,361	1,694
Enterprises	1,124	1,685	2,501
Group-wide	–1,090	–1,715	–2,707
Total underlying EBITDA	**9,297**	**10,716**	**14,059**
Depreciation and amortization	–5,795	–5,608	–7,652
One-off charges and pensions	1,401	–1,177	–1,184
Share of earnings in associated companies	–827	–490	723
Operating income	**4,076**	**3,441**	**5,946**

To show the trend in earnings in the Group's majorityowned core operations, the term "underlying EBITDA" is used, which describes operating income before depreciation excluding one-off charges and the earnings from associated companies.

Major investments

Significant investments were made during the period aimed at expanding the business and developing new services.

The huge surge in the number of GSM customers has entailed customer recruitment costs. The international carrier network was further expanded and investments were also made in the development of portals and broadband.

The established fixed services in Sweden achieved earnings on a par with 1999. Heavy price cuts on the retail market were compensated mainly by reduced costs along with efficiency measures and increased sales of traffic and network capacity to external operators and service providers.

For the period as a whole, underlying EBITDA totaled MSEK 9,297, which is 13 percent lower than during the same period of the preceding year. The decline in the third quarter was 8 percent.

Earnings from associated companies

Earnings from associated companies in the third quarter totaled MSEK –759, compared to MSEK –153 in the third quarter of 1999. Earnings for the nine-month period were MSEK –827 and MSEK –490 for the same period in 1999. Most of the associated companies are in the developmental stage with strong customer growth and expansion, chiefly in Poland and Brazil.

Share of Earnings in Associated Companies

MSEK	Jan–Sep 2000	Jan–Sep 1999	Full Year 1999
Netia Holdings (Business)	–364	–277	–327
Baltic states (Mobile/Business)	148	136	139
Unisource/AUCS (Business)	1,246	407	1,534
Comsource/Eircom (Business)	–800	23	409
Telia Overseas (Enterprises)	–1,087	–1,121	–1,347
Other associated companies	30	342	315
Total	**–827**	**–490**	**723**

Netia, Poland. The company builds and operates fixed networks. Netia was awarded a license for the Warsaw area during the second quarter. This means that the company's licenses cover 40 percent of Poland's population. The weaker earnings are chiefly attributable to foreign exchange effects and increased participating interest in the company.

Telia Overseas. Earnings are chiefly attributable to investments in the mobile operator Tess in Brazil, which is in a relatively early stage of development and has a heavy stream of new customers. The number of customers surged 299,000 to 644,000 during the period.

Eircom, Ireland. The company is being restructured in order to meet the new market conditions. Income included MSEK –475 from one-off charges for restructuring efforts.

Unisource/AUCS. The increase in earnings was primarily due to capital gains from the sale of companies.

Operator companies in the Baltic states and northwestern Russia. The companies showed positive development regarding both sales and earnings.

Other associated companies. High income for the comparative period in 1999 was attributable to capital gains from the sale of the stake in AU-System.

Operating income/Net income

The Group's operating income for the first nine months increased, from MSEK 3,441, to MSEK 4,076, year on year. Capital gains and other one-off charges of MSEK 1,401 compensated the decline in underlying EBITDA.

After financial net, tax and minority shares, the net income increased to MSEK 2,870, compared to MSEK 2,467 year on year. Earnings per share rose from SEK 0.87 to SEK 0.99.

Financial Position and Cash Flow

MSEK	30 Sep 2000	31 Dec 1999	31 Dec 1998
Interest coverage rate (multiple)	5.0	8.5	10.4
Growth of the balance sheet (%)	53.4	13.9	2.1
Rate of turnover of capital (multiple)	0.58	0.72	0.74
Equity/assets ratio (%)	40.3	41.0	41.5
Capital employed	89,290	50,936	43,440
Operating capital	70,396	39,160	34,921
Net interest-bearing liability	22,340	7,527	6,767
Debt/equity ratio (multiple)	0.47	0.24	0.24

The Group's financial position remains stable. During the period, new shares were issued and NetCom ASA was acquired. The balance sheet total thereby increased greatly, and the rate of turnover of capital as well as the interest coverage rate decreased from full year 1999.

Cash flow from operating activities is in line with the preceding year. Operating cash flow sagged due to greatly increased net investments.

Investments were financed partly by external borrowing at good terms and partly by the new share issue valued at MSEK 12,544. Altogether, the equity/assets ratio was held at a satisfactory level.

Investments

Investment by Type of Asset

MSEK	Jan–Sep 2000	Jan–Sep 1999	Full Year 1999
Goodwill	22,852	57	335
Other intangible assets	183	132	373
Properties	386	30	53
Machinery and equipment	8,826	4,901	7,275
Fixed telephony installations	1,724	1,766	3,364
Mobile telephony installations	786	677	1,166
Other machinery and equipment	6,316	2,458	2,745
Shares and participations	5,184	2,113	4,109
Total	**37,431**	**7,233**	**12,145**

Investments were up sharply from one year previous. The rise resulted primarily from goodwill in the MSEK 22,749 acquisition of NetCom but also stemmed from intensified investment in the growth areas mobile services and international carrier as well as broadband infrastructure in Sweden.

Heavy investments in shares and participations were made in the fixed network operations in Poland totaling MSEK 2,021, in mobile operations in Brazil totaling MSEK 1,591, and in Russia totaling MSEK 700 as well as MSEK 404 in the Scandinavia Online portal business.

Acquisitions and Divestitures

Telia acquired about 51 percent of the Norwegian mobile operator NetCom ASA at the end of June. After making a bid to all other shareholders, Telia controls 99.5 percent of NetCom's stock. Compulsory purchase of outstanding shares has been requested and NetCom has been delisted from the Oslo Stock Exchange.

In February, Telia acquired 29.5 percent of the shares in Luxembourg-based First National Holding S.A., which has stakes in several mobile and fixed network operators in northwestern Russia.

Telia's operations in Finland were expanded in March with the acquisition of operations in Tietopuhelin, a nationwide retail chain with over 70 telecom shops.

Together with Volvo and Ericsson, an associated company called WirelessCar Sweden AB was founded during the period, with all partners having equal stakes, to develop wireless applications for the automotive industry.

In May, the U.S. subsidiary Telia Internet, Inc., acquired the operations of the Internet service provider (ISP) Apex Global Information Services, Inc. (AGIS).

At the beginning of April, Telia became the owner of 11 percent of the shares in Netia 1 Sp. z o.o. The company, in which Telia's associated company Netia Holdings S.A. owns an additional 38 percent, has been awarded a license for long-distance telephony in Poland. Telia upped its holding in Netia Holdings S.A. during the period, to 48.1 percent.

The cable TV operations in Denmark were expanded in July through the acquisition of all shares in Jydsk Central Antenne A/S.

In February, Telia acquired additional shares in the Brazilian company Eriline Celular S.A., boosting Telia's stake to 49.9 percent. Eriline owns a small interest in the mobile operator Tess S.A., operating in the state of São Paulo.

During the period, Telia Business Innovation acquired shares in several more small development companies. In May, the holding in Altitun AB was sold to the U.S. company ADC Telecommunications, Inc.

At January 1, 2000, the majority of the Group's operations in fixed telephony in Norway was sold to Enitel ASA. The agreement includes the delivery of certain services to Enitel from Telia throughout 2000.

During the second quarter, Telia divested its participations in the associated companies Any Media Solutions AB, which produces directories, and Egmont Online A/S in Denmark. At the end of June, Telia divested all its shares in the subsidiary SVEFO Sverige AB as well as its remaining holdings in the Estonian subsidiary Starman Kaabeltelevisiooni AS at the end of September.

In June, the associated company Scandinavia Online AB (SOL) was listed on the stock exchange. Following additional purchases in early July, Telia owns 24.8 percent of the company's shares.

At the beginning of October, the subsidiary Eniro AB was listed on the OM Stockholm Exchange. Telia now owns 49.1 percent of the company's shares. In October Telia divested its entire holding in the subsidiary Telia Contracting, which operates as a consulting company on mobile telephony systems.

An agreement has been reached between Telia, If, Skandia and WM-data to coordinate the parties' operations in administrative internal service in a jointly owned company. Telia will contribute its subsidiary IN good company AB.

Employees
The number of employees rose slightly during the period and totaled 32,459 at September 30 (30,589 at December 31, 1999). The increase occurred primarily in overseas operations.

Changes in Telia's Executive Management
On October 12, Jan-Åke Kark stepped down as President and CEO of Telia due to health reasons. His successor is Marianne Nivert, Senior Executive Vice President with special responsibility for the Carrier & Networks business area.

Bo Jacobsson, Telia's Head of Corporate Financial Control, previously CFO of Trelleborg AB and President of Scancem AB, succeeded Reinhold Geijer as CFO of Telia on October 14.

Telia Stock
On June 13, Telia's shares were quoted on the A list of the OM Stockholm Exchange. At the same time, 150 million new shares were issued. The new share issue raised MSEK 12,241 in new capital for Telia after deducting sales costs. The offering price was SEK 85 per share.

The Swedish state retained a 70.6 percent holding of Telia after the listing of the company.

Of the shares sold, 903,000 individuals in Sweden owned 22 percent, Swedish institutions owned 61 percent, and non-Swedish investors 17 percent at September 30.

The share's settlement price reached a high of SEK 94.00 and a low of SEK 63.50 through September 30.

Review of Business Areas

Mobile

Expansive growth in the number of GSM customers in Sweden, Denmark and Finland along with the acquisition of NetCom ASA in Norway led to a 37 percent increase in the business area's external net sales in the first nine months. Excluding NetCom, the total increase was 24 percent. The rise in the third quarter was 27 percent, excluding NetCom.

Heavy investments in the development of new mobile services and increased customer recruitment costs due to robust customer growth have affected earnings for the period.

MSEK	Jan–Sep 2000	Jan–Sep 1999	Full Year 1999
Net sales	10,061	7,785	10,714
of which external	8,465	6,201	8,656
Underlying EBITDA	2,162	2,334	3,507
Operating income	1,022	1,590	2,458
Investments	24,591	955	1,318
Sweden			
Net sales	8,391	7,320	10,009
of which external	6,843	5,746	7,971
Underlying EBITDA	2,605	2,750	4,040
Investments	739	624	909
of which Mobile telephony			
Net sales	7,997	7,077	9,645
of which external	6,538	5,445	7,556
Underlying EBITDA	2,781	2,686	3,970
Investments	656	562	845
Norway			
Net sales	803	–	–
of which external	796	–	–
Underlying EBITDA	221	–	–9
Investments	22,860	–	–
Finland			
Net sales	527	228	348
of which external	524	228	340
Underlying EBITDA	–358	–179	–262
Investments	181	75	104
Denmark			
Net sales	340	237	357
of which external	302	227	345
Underlying EBITDA	–306	–214	–262
Investments	67	214	263

Sweden – Mobile telephony
External net sales in the Swedish mobile telephony operations rose 20 percent to MSEK 6,538 with an average price cut of 5 percent. The increase in sales in the third quarter was 22 percent. The sharp increase was due to robust customer growth – the number of GSM customers rose from 2,348,000 to 2,952,000 during the period – greater traffic volume per customer and a continued low churn rate, 7 percent in the third quarter. Average monthly revenue per user (ARPU) in the third quarter was SEK 304 compared to SEK 306 in the second quarter.

The use of SMS is rising sharply. The number of SMS messages in Sweden more than tripled (300 percent) during the period to 115 million, compared to the same period 1999. DOF subscriptions also showed a substantial increase in sales.

Underlying EBITDA totaled MSEK 2,781 compared to MSEK 2,686 year on year. The third quarter showed an improvement over the second quarter on the margin from 28 percent to 37 percent, owing to reduced discounts for terminals sold with subscriptions among other reasons.

The Swedish operations included, in addition to mobile telephony, costs for the business area's other product and business development and radio contract services in coastal radio and maritime radio, and certain other services, e.g. paging.

Other Nordic countries
NetCom ASA continued its positive development. Net sales climbed by 12 percent during the third quarter and the number of GSM customers increased from 773,000 to 810,000. ARPU rose from SEK 323 to SEK 351 compared to the second quarter.

The other Nordic markets also showed substantial customer growth. In Denmark and Finland, external net sales increased by 33 percent and 130 percent respectively. High costs for recruiting customers pulled down earnings for the period.

Earnings from associated companies
The mobile operators in the Baltic states and northwestern Russia (Eesti Mobiiltelefon, Latvijas Mobilais Telefons, Omnitel and North West GSM) increased the aggregate customer base during the year to 1,030,000 customers from 764,000.

Earnings from associated companies declined from MSEK 99 to MSEK 55.

Development efforts
Pilot testing was initiated during the third quarter on the operator independent mobile Internet portal Speedy Tomato in Denmark,

Finland and Great Britain. Telia intends to launch the portal in several European markets. Speedy Tomato will be opened for external customers in Great Britain at the end of the year.

The business area conducts intensive product development in mobile Internet, mobile electronic commerce, wireless broadband access and wireless data services for machine to machine communication.

Cooperation with FöreningsSparbanken began in the second quarter aimed at developing a mobile banking service. Telia is working together with Volvo and Ericsson on the development of wireless applications for the automotive industry.

The mobile portal Halebop, which was developed together with Oracle, was launched during the period. The portal had 200,000 registered users at the end of the period.

Carrier & Networks

MSEK	Jan–Sep 2000	Jan–Sep 1999	Full Year 1999
Net sales	18,935	19,183	25,889
of which external	4,217	2,903	4,328
Underlying EBITDA	5,701	6,196	7,872
Operating income	2,602	2,717	3,083
Investments	6,461	3,048	4,970
Skanova			
Net sales	16,106	16,781	22,423
of which external	2,282	1,375	2,191
Underlying EBITDA	5,904	5,590	7,193
Investments	2,487	2,601	3,961
International Carrier			
Net sales	2,829	2,402	3,466
of which external	1,935	1,528	2,137
Underlying EBITDA	–203	606	679
Investments	3,974	447	1,009

Skanova

The network wholesale business in Sweden has been underway since September 28 under the Skanova trademark. Sales to external customers of telephony, IP traffic and network capacity increased by 66 percent during the first nine months despite 5 percent price cuts. Net sales to external customers increased by slightly over 100 percent during the third quarter.

Sales to Telia, which at present represents approximately 85 percent of Skanova's total net sales, decreased somewhat due to price cuts and lower demand for Telia's fixed telephony on the retail market in Sweden, which caused Skanova's total net sales to decrease by 4.0 percent during the period and by 4.8 percent during the third quarter year on year.

The number of external customers has surged during the last year. Strong sales to external customers, reduced prices on purchased interconnect traffic and efficiency measures effected improvement in underlying EBITDA during the period. Underlying EBITDA increased during the third quarter from MSEK 1,761 to MSEK 1,850 compared to the third quarter of 1999.

The shortage of ADSL equipment was resolved in September and Skanova was then able to increase the rate of expansion of the broadband infrastructure. At the end of the first nine months, stations at 75 locations had connection capacities for a total of 50,000 broadband customers. At June 30, the connection capacity was 24,000 customers.

Skanova plans in 2003 to have an integrated national IP network that works together with AXE to produce telephony services. Broadband connections to households will be supplied with ADSL and fiber/LAN technology in the coming years.

International Carrier

External net sales by the international carrier business increased 27 percent. Growth in the third quarter was 64 percent.

Effective market cultivation and competitive prices resulted in increased net sales for telephony transport by 47 percent to MSEK 1,587 during the period. For IP traffic, net sales increased from MSEK 27 to MSEK 107 despite severe pressure on prices. Broader availability of Internet access and the growing supply of Internet-based services are expected to lead to massive demand for the transport of IP traffic, which is likely to have become the dominant type of traffic within three to four years.

Other products also showed robust sales. Contracts for the sale of infrastructure (fiber and ducts) were signed during the period with Storm, GTS and Tele1Europe among others with an aggregate value of MSEK 2,866. New contracts for sales of capacity totaled MSEK 405. The biggest contracts were signed with Telenor and KPN. Sales of operation and service agreements and colocation also increased during the period.

The contracts signed to date regarding sales of infrastructure, network capacity, service agreements and colocation have an aggregate value of GSEK 7.3 and are expected to yield earnings of MSEK 400 per year for the next 20 years.

In October 2000, the business area signed a contract for sales of wavelength capacity in USA worth approximately MSEK 900.

The fiber-optic network in Europe was extended during the third quarter from 6,815 kilometers to 7,513 kilometers, while duct capacity grew from 2,750 to 3,725 kilometers. At the end of the year, the European network is expected to cover 10,750 kilometers of fiber-optic cable and 5,586 kilometers of duct capacity. The network is being brought into service gradually. The sections Brussels–London, Düsseldorf–Amsterdam, Amsterdam–Hamburg, Oslo–Stockholm and Helsinki–Haraldsholm will be brought into service during the fourth quarter.

By swapping network capacity with the American operators Williams Communications and 360networks, the business area has gained access to an 18,000 kilometer long fiber network that connects major cities in USA. The network will gradually be brought into service in the beginning of the fourth quarter of 2000.

Similar barter deals with Global Crossing and Colt have provided access to infrastructure in Germany and the Netherlands.

A total of GSEK 3.9 was invested during the first nine months in the international carrier network, The Viking Network. The business area sells fiber and duct capacity and swaps capacity with other operators in order to extend the network's reach and cost-effectively expand the entire network.

The expansion is progressing according to the long-term plan, but with some delay for German Ring. The Scandinavian Ring was brought into service October 27.

The international carrier business is in an early stage of development with costs for establishing local technology and sales companies on the domestic markets, and Point of Presence (POP) for connecting customers as well as license fees, all of which burden earnings. Pending bringing its own network into service, the business area is leasing capacity from other operators.

Underlying EBITDA totaled MSEK –203 during the period.

Business Solutions

MSEK	Jan–Sep 2000	Jan–Sep 1999	Full Year 1999
Net sales	11,537	12,842	17,433
of which external	8,357	9,216	12,403
Underlying EBITDA	789	855	1,192
Operating income	1,306	679	2,218
Investments	2,607	1,078	3,066
Sweden			
Net sales	10,876	11,783	16,121
of which external	7,734	8,204	11,022
Underlying EBITDA	1,008	1,131	1,567
Investments	392	176	330

The business area has succeeded in compensating for the loss of revenue in fixed telephony in the Swedish market through efficiency measures, reduced costs and increased sales of premium services and Internet access. Underlying EBITDA showed only a moderate decrease (8 percent) during the period.

Underlying EBITDA increased during the third quarter from MSEK 186 to MSEK 297 compared to the third quarter of 1999.

The carrier preselect reform and aggressive price cuts pulled the business area's external net sales down by 7.0 percent during the first nine months, adjusted for divested operations. Sales decreased in the third quarter by 8.3 percent.

This decrease was due to declining revenues for fixed telephony operations in Sweden. Sales increased, however, for premium services. Net sales for Centrex, teleconferencing, and virtual call centers grew during the period by 40 percent.

A new Centrex platform, adapted to IP and mobile communication, was launched in August. The product was received positively on the market and several major contracts have been signed with customers, including the City of Stockholm and the City of Gothenburg.

Sales of Internet access in the Swedish market remained strong and external net sales grew by 27 percent during the first nine months.

Telia IT-Service has been transferred to Business Solutions from the Enterprises business area. This strengthened the business area's possibilities to offer business customers integrated solutions and IT system support.

During the third quarter it was decided together with Förenings-Sparbanken to cooperate to form a jointly owned company for the development of e-commerce solutions.

Earnings from associated companies; fixed network operators in the Baltic region and Infonet, Unisource and Eircom decreased during the period from MSEK 274 to MSEK 133.

Operating income surged from MSEK 679 to MSEK 1,306, chiefly due to capital gains from the sale of operations in Norway.

People Solutions

MSEK	Jan–Sep 2000	Jan–Sep 1999	Full Year 1999
Net sales	13,514	14,358	19,150
of which external	12,473	13,507	17,931
Underlying EBITDA	611	1,361	1,694
Operating income	1,105	1,037	1,170
Investments	654	188	251
Sweden			
Net sales	12,934	13,842	18,439
of which external	11,979	12,995	17,246
Underlying EBITDA	745	1,601	1,997
Investments	514	68	86

The carrier preselect reform and aggressive general price cuts had full impact during the first nine months and resulted in a 7.2 percent decrease in the business area's external net sales for comparable units. The decline in the third quarter was 8.2 percent.

Reduced costs and increased sales of premium services and Internet access were not able to compensate the loss in revenue. Extensive efforts in the development of broadband services also had an impact on earnings.

At the end of November/beginning of December, several broadband services for sports, games, news, entertainment and music will be launched. These services will be available on an upgraded home page for Telia's Internet customers.

The range of broadband services will gradually be expanded. Additional services will be offered at the end of the first quarter 2001 when the business area launches its broadband portal. Strategic cooperative agreements have been signed with several partners for content and application development, e.g. Exent, Vision Park, Electronic Arts and Microsoft.

In September, an individual broadband service was launched for household customers, which means that the customer need not wait for the property owners or building cooperatives to sign a general agreement, but can order an ADSL-based broadband connection independently.

Sales of fixed telephony in Sweden, which represents approximately 80 percent of the business area's external net sales, decreased by 9.6 percent, of which 5 percent is attributable to price cuts and 5 percent to declining volumes.

Demand for Internet access remained strong in the Swedish market. External net sales climbed 23 percent despite rate cuts of 4 percent.

External sales in Denmark rose by 22 percent to MSEK 439 as a result of increased sales in the cable TV business and that the business area has taken over responsibility for small business customers from Business Solutions. In Finland, net sales decreased as a result of weaker growth and substantial price cuts.

Underlying EBITDA decreased during the first nine months to MSEK 611. Third quarter underlying EBITDA totaled MSEK 174 compared to MSEK 524 year on year.

Upgrading the cable TV network for high-speed Internet access and higher customer service costs and invoicing for the Swedish telephony operations resulted in a slight decline in underlying EBITDA in Denmark, despite revenue growth. Earnings improved in Finland.

Earnings from the associated companies Scandinavia Online AB (SOL) and Chili A/S, which both operate portals, increased during the first nine months from MSEK –22 to MSEK 65. Earnings were affected by MSEK 161 in capital gains from the sale of shares in SOL during the second quarter, before the listing of SOL on the stock market.

The business area's operating income improved during the period from MSEK 1,037 to MSEK 1,105. The improvement is mainly attributable to MSEK 530 in capital gains from the sale of operations in Norway and cable TV operations in Estonia.

Enterprises

MSEK	Jan–Sep 2000	Jan–Sep 1999	Full Year 1999
Net sales	16,624	14,895	21,767
of which external	5,919	5,379	8,778
Underlying EBITDA	1,124	1,685	2,501
Operating income	–482	51	335
Investments	3,201	1,917	2,540

Enterprises combines the businesses that will be divested wholly or in part, businesses that support other business areas and businesses that will be transferred to another business area after analysis.

During the fall, it was decided that five of the 27 companies in Enterprises would be transferred to other business areas. These companies are Telia Research, Telia Business Innovation, Telia Handel, Telia Försäkring and Telia Fastigheter. Telia will then seek whole or partial divestiture for the remaining 22 companies.

Telia Kompetens, Svefo, Starman Kaabeltelevisiooni and Telia Konferens were divested in 2000. A decision was made to partially divest IN good company.

Eniro AB was listed on the O list of the OM Stockholm Exchange on October 10. The share price was set at SEK 84. 75,150,000 shares were issued, representing 50.1 percent of the capital in Eniro. Telia received MSEK 6,114 from the sale after deducting sales costs. Capital gains from the sale are estimated at GSEK 6 and will have an impact on earnings during the fourth quarter.

The business area's external net sales showed a 13 percent increase for comparable units in the first nine months. Growth in the third quarter was 24 percent. The increase was chiefly attributable to the directory and call center operations and the com hem cable TV business in Infomedia.

Operating income decreased as a result of heavy investments in the development of the com hem business, development of new products in the directory operations and capital gains in the comparative year 1999.

Com hem is shifting roles from that of a traditional TV distributor to a player in the broadband market. At September 30, contracts had been signed with property owners to upgrade cable TV networks to high-speed Internet access for a total of 301,000 households.

Earnings from International, which are chiefly attributable to Tess in Brazil, totaled MSEK – 1,016 compared to MSEK – 1,178 year on year.

Total investments in Enterprises amounted to MSEK 3,201, of which MSEK 1,591 are attributable to Tess.

In order to finance further expansion in Brazil, new shares in Telia Overseas were issued during the third quarter at a value of approximately MSEK 1,160, of which Telia contributed MSEK 753.

Parent Company

The parent company Telia AB, whose Board of Directors is registered in Stockholm, contains the Group's Swedish operations for fixed network development, construction, and operation, and provides basic production of network services. At January 1, 2000, all employees in service, support and construction, as well as the international carrier business, were transferred to subsidiaries. The parent company also comprises Group executive management functions, several support units, and the Group's internal banking operations.

Net sales were MSEK 17,205 (19,210), of which MSEK 14,979 (16,836) was invoiced to subsidiaries. Earnings before appropriations and tax ended higher, at MSEK 5,794 (5,269).

Net income after appropriations and tax was MSEK 4,307 (3,806). Equity was MSEK 35,046 (19,739 at December 31, 1999), and retained earnings MSEK 11,523 (9,084).

The balance sheet total expanded, to MSEK 94,612 (73,791). Cash flow from operating activities was MSEK 2,400 (2,366), while operating cash flow was MSEK –35,890 (–6,445). Net borrowings expanded, to MSEK 14,515 (13,828 at year-end). Liquid funds equaled MSEK 242 (1,368).

The current ratio was 1.80 (1.08 at year-end). The equity/assets ratio (including the equity component of untaxed reserves) improved to 50.4 percent (43.8 percent).

The parent company invested MSEK 13,931 (4,751) in fixed assets, including MSEK 2,303 (2,511) in machinery and equipment, mainly telecom installations. Other investments totaling MSEK 11,628 (2,240) were primarily attributable to capital infusions in subsidiaries and associated companies.

The number of employees at September 30 was 3,915 (6,514 at year-end). The decrease resulted mainly from the transfer of operations to subsidiaries.

Outlook

Telia has greatly increased its number of customers in the mobile business during the year, while at the same time, the international carrier network has been further expanded. These high-priority areas for Telia are therefore expected to continue to show positive revenue growth.

Efficiency measures will contribute to the profitability of the established operations. The initiated restructuring and fine-tuning efforts have continued with full force.

Stockholm, November 9, 2000

Marianne Nivert
President and CEO

Auditors' Review Report

We have reviewed this interim report in accordance with recommendations issued by the Swedish Institute of Authorized Public Accountants. A review is substantially limited in scope in comparison to an audit. Nothing has come to our attention that indicates that this interim report fails to comply with the requirements of the Swedish Securities Exchange Act or the Swedish Annual Accounts Act.

Stockholm, November 9, 2000

Ernst & Young AB

Gunnar Widhagen
Certified Public Accountant

Filip Cassel
Certified Public Accountant

Peter Norberg
Certified Public Accountant

Group Income Statements

MSEK	Jul–Sep 2000	Jul–Sep 1999	Jan–Sep 2000	Jan–Sep 1999	Oct 1999–Sep 2000	Full Year 1999	Full Year 1998
Net sales	13,487	11,771	39,524	37,234	54,411	52,121	49,569
Costs of production	–8,543	–6,928	–24,615	–22,101	–33,720	–31,206	–30,988
Gross income	**4,944**	**4,843**	**14,909**	**15,133**	**20,691**	**20,915**	**18,581**
Sales, administrative, and R&D expenses	–4,034	–3,646	–12,247	–11,450	–15,684	–14,887	–15,045
Other operating revenues and expenses, net	55	106	2,241	248	1,188	–805	4,388
Share of earnings in associated companies	–759	–153	–827	–490	386	723	–704
Operating income	**206**	**1,150**	**4,076**	**3,441**	**6,581**	**5,946**	**7,220**
Financial net	61	94	–17	94	–77	34	–77
Income after financial net	**267**	**1,244**	**4,059**	**3,535**	**6,504**	**5,980**	**7,143**
Taxes	–77	–378	–1,200	–1,078	–1,876	–1,754	–2,092
Minority shares	–18	3	11	10	–3	–4	–40
Net income	**172**	**869**	**2,870**	**2,467**	**4,625**	**4,222**	**5,011**
Earnings per share (SEK)	**0.06**	**0.30**	**0.99**	**0.87**	**1.60**	**1.48**	**1.76**

Quarterly Data

	2000				1999				1998
MSEK	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Net sales	13,487	13,180	12,857	14,887	11,771	13,066	12,397	13,864	11,871
Underlying EBITDA	3,180	2,857	3,260	3,343	3,466	3,616	3,634	3,327	3,393
One-off charges and pensions	–116	201	1,316	–7	–273	–362	–542	–485	703
Share of earnings in associated companies	–759	–710	642	1,213	–153	227	–564	–4	–395
EBITDA	2,305	2,348	5,218	4,549	3,040	3,481	2,528	2,838	3,701
Operating income	206	488	3,382	2,505	1,150	1,609	682	1,115	1,897
Income after financial net	267	356	3,436	2,445	1,244	1,609	682	1,094	1,892
Net income	172	308	2,390	1,755	869	1,118	480	810	1,299

Group Balance Sheets

MSEK	30 Sep 2000	30 Sep 1999	31 Dec 1999	31 Dec 1998
Assets				
Intangible fixed assets	25,268	1,689	2,146	1,844
Tangible fixed assets	38,974	34,040	33,318	34,801
Financial fixed assets	20,707	13,647	18,023	12,553
Inventories etc.	1,359	976	971	946
Current receivables	29,783	18,482	20,369	16,451
Short-term investments	189	1,387	1,264	202
Cash and bank deposits	1,241	754	513	481
Total assets	**117,521**	**70,975**	**76,604**	**67,278**
Equity and liabilities				
Equity	48,482	30,241	32,893	29,344
Minority shares	700	127	210	210
Provisions for pensions	3,229	2,440	3,246	1,733
Other provisions	6,455	6,207	6,629	6,002
Long-term loans	20,583	9,295	9,123	6,491
Current loans	17,421	7,353	6,934	7,062
Non-interest-bearing liabilities	20,651	15,312	17,569	16,436
Total equity and liabilities	**117,521**	**70,975**	**76,604**	**67,278**

Group Cash Flow Statements

MSEK	Jan–Sep 2000	Jan–Sep 1999	Oct 1999–Sep 2000	Full Year 1999	Full Year 1998
Cash flow from operating activities	**7,385**	**7,852**	**9,931**	**10,398**	**10,397**
Cash flow from investing activities	–37,840	–9,327	–39,443	–10,930	–8,925
Operating cash flow	**–30,455**	**–1,475**	**–29,512**	**–532**	**1,472**
Cash flow from financing activities	30,133	1,713	29,971	1,551	–2,439
Cash flow for the period	**–322**	**238**	**459**	**1,019**	**–967**
Net interest-bearing liability, opening balance	**7,527**	**6,767**	**8,545**	**6,767**	**14,609**
Change in net borrowings	14,830	2,368	13,006	–753	–2,642
Change in pension liability	–17	–590	789	1,513	–5,200
Net interest-bearing liability, closing balance	**22,340**	**8,545**	**22,340**	**7,527**	**6,767**

Group Business Areas

Jul–Sep 2000

MSEK	Mobile	Carrier & Networks	Business Solutions	People Solutions	Enterprises	Group-wide	Total for the Group
Net sales	4,122	6,221	3,621	4,442	5,461	–10,380	13,487
External net sales	3,596	1,527	2,595	4,041	1,703	25	13,487
Depreciation and amortization	594	1,123	88	44	231	19	2,099
One-off charges and pensions	–17	–37	–78	21	60	–65	–116
Share of earnings in associated companies	–10	0	–228	–78	–443	–	–759
Underlying EBITDA	929	1,705	297	174	365	–290	3,180
Operating income	308	545	–97	73	–249	–374	206
Investments	11,844	2,418	1,669	495	364	–45	16,745
Operating capital	31,739	25,993	9,985	1,473	5,674	–4,468	70,396
Number of employees	3,018	3,436	4,599	4,542	16,321	543	32,459

Jul–Sep 1999 (pro forma)

MSEK	Mobile	Carrier & Networks	Business Solutions	People Solutions	Enterprises	Group-wide	Total for the Group
Net sales	2,678	6,183	4,012	4,688	4,382	–10,172	11,771
External net sales	2,199	836	2,911	4,427	1,400	–2	11,771
Depreciation and amortization	289	1,178	76	34	289	24	1,890
One-off charges and pensions	–17	–42	–41	–107	170	–236	–273
Share of earnings in associated companies	47	0	216	–5	–411	–	–153
Underlying EBITDA	943	1,892	186	524	566	–645	3,466
Operating income	684	672	285	378	36	–905	1,150
Investments	257	1,039	292	41	433	59	2,121
Operating capital	4,899	23,953	6,934	1,791	4,298	–4,064	37,811
Number of employees	1,861	3,452	4,665	4,389	15,755	660	30,782

Jan–Sep 2000

MSEK	Mobile	Carrier & Networks	Business Solutions	People Solutions	Enterprises	Group-wide	Total for the Group
Net sales	10,061	18,935	11,537	13,514	16,624	–31,147	39,524
External net sales	8,465	4,217	8,357	12,473	5,919	93	39,524
Depreciation and amortization	1,206	3,346	285	115	775	68	5,795
One-off charges and pensions	11	259	669	544	237	–319	1,401
Share of earnings in associated companies	55	–12	133	65	–1,068	–	–827
Underlying EBITDA	2,162	5,701	789	611	1,124	–1,090	9,297
Operating income	1,022	2,602	1,306	1,105	–482	–1,477	4,076
Investments	24,591	6,461	2,607	654	3,201	–83	37,431
Operating capital	31,739	25,993	9,985	1,473	5,674	–4,468	70,396
Number of employees	3,018	3,436	4,599	4,542	16,321	543	32,459

Jan–Sep 1999 (pro forma)

MSEK	Mobile	Carrier & Networks	Business Solutions	People Solutions	Enterprises	Group-wide	Total for the Group
Net sales	7,785	19,183	12,842	14,358	14,895	–31,829	37,234
External net sales	6,201	2,903	9,216	13,507	5,379	28	37,234
Depreciation and amortization	845	3,404	259	102	925	73	5,608
One-off charges and pensions	2	–75	–191	–200	132	–845	–1,177
Share of earnings in associated companies	99	0	274	–22	–841	–	–490
Underlying EBITDA	2,334	6,196	855	1,361	1,685	–1,715	10,716
Operating income	1,590	2,717	679	1,037	51	–2,633	3,441
Investments	955	3,048	1,078	188	1,917	47	7,233
Operating capital	4,899	23,953	6,934	1,791	4,298	–4,064	37,811
Number of employees	1,861	3,452	4,665	4,389	15,755	660	30,782

Enterprises Business Area

Jul–Sep 2000

MSEK	Infomedia	Financial Services	Systems & Support	Inter-national	IT & Innovation	Support & Retail	Total for the BA
Net sales	820	194	2,340	206	976	925	5,461
External net sales	718	43	682	181	32	47	1,703
Depreciation and amortization	45	77	26	29	16	38	231
One-off charges and pensions	–14	15	–11	0	13	57	60
Share of earnings in associated companies	2	–	–	–443	–1	–1	–443
Underlying EBITDA	–82	61	136	46	103	101	365
Operating income	–139	–1	99	–426	99	119	–249
Investments	193	20	9	88	47	7	364
Operating capital	866	327	1,011	1,174	261	2,035	5,674
Number of employees	4,748	453	6,975	629	2,084	1,432	16,321

Jul–Sep 1999 (pro forma)

MSEK	Infomedia	Financial Services	Systems & Support	Inter-national	IT & Innovation	Support & Retail	Total for the BA
Net sales	582	262	2,172	166	411	789	4,382
External net sales	509	68	599	126	6	92	1,400
Depreciation and amortization	46	131	15	20	10	67	289
One-off charges and pensions	95	–	–14	–	35	54	170
Share of earnings in associated companies	–5	–	–	–309	–	–97	–411
Underlying EBITDA	131	134	146	–11	44	122	566
Operating income	175	3	117	–340	69	12	36
Investments	51	123	8	234	6	11	433
Operating capital	248	535	1,095	444	36	1,940	4,298
Number of employees	4,188	432	6,802	828	1,874	1,631	15,755

Jan–Sep 2000

MSEK	Infomedia	Financial Services	Systems & Support	Inter-national	IT & Innovation	Support & Retail	Total for the BA
Net sales	2,951	781	7,286	564	2,314	2,728	16,624
External net sales	2,661	335	2,129	494	121	179	5,919
Depreciation and amortization	128	322	82	83	39	121	775
One-off charges and pensions	31	10	82	23	16	75	237
Share of earnings in associated companies	–8	–	–	–1,087	28	–1	–1,068
Underlying EBITDA	86	317	239	131	185	166	1,124
Operating income	–19	5	239	–1,016	190	119	–482
Investments	417	295	37	1,830	267	355	3,201
Operating capital	866	327	1,011	1,174	261	2,035	5,674
Number of employees	4,748	453	6,975	629	2,084	1,432	16,321

Jan–Sep 1999 (pro forma)

MSEK	Infomedia	Financial Services	Systems & Support	Inter-national	IT & Innovation	Support & Retail	Total for the BA
Net sales	2,549	779	7,221	501	1,283	2,562	14,895
External net sales	2,149	240	2,279	390	55	266	5,379
Depreciation and amortization	194	392	50	68	17	204	925
One-off charges and pensions	97	–	–47	–	76	6	132
Share of earnings in associated companies	–24	–	–	–1,121	–	304	–841
Underlying EBITDA	588	422	292	11	23	349	1,685
Operating income	467	30	195	–1,178	82	455	51
Investments	125	445	16	1,240	21	70	1,917
Operating capital	248	535	1,095	444	36	1,940	4,298
Number of employees	4,188	432	6,802	828	1,874	1,631	15,755

Geographic Segment Breakdown

Jan–Sep 2000

MSEK	Sweden	Other Nordic countries	Baltic region	Rest of world	Total for the Group
External net sales	34,439	3,276	114	1,695	39,524
Depreciation and amortization	4,794	759	14	228	5,795
Share of earnings in assoc. companies	53	–7	–241	–632	–827
Operating income	5,172	159	–186	–1,069	4,076
Investments	7,887	24,184	2,862	2,498	37,431
Operating capital	26,238	30,042	7,195	6,921	70,396
Number of employees	26,028	4,105	860	1,466	32,459

Jan–Sep 1999

MSEK	Sweden	Other Nordic countries	Baltic region	Rest of world	Total for the Group
External net sales	33,635	2,486	111	1,002	37,234
Depreciation and amortization	5,079	395	12	122	5,608
Share of earnings in assoc. companies	365	–8	–149	–698	–490
Operating income	5,301	–1,224	–59	–577	3,441
Investments	3,433	1,289	768	1,743	7,233
Operating capital	27,057	3,726	3,972	3,056	37,811
Number of employees	26,045	2,686	530	1,521	30,782

Notes

One-off charges and pensions

MSEK	Jul–Sep 2000	Jul–Sep 1999	Jan–Sep 2000	Jan–Sep 1999	Oct 1999–Sep 2000	Full Year 1999	Full Year 1998
Personnel restructuring	–	–38	–	–395	–327	–722	–2,473
Common pension commitments etc.	–75	–231	114	–572	875	189	–147
Stock exchange listing	–1	–	–233	–	–459	–226	–
Year 2000 compliance	–	–154	–	–383	–221	–604	–548
Capital gains/losses	–44	150	1,688	580	1,690	582	4,929
Total	**–120**	**–273**	**1,569**	**–770**	**1,558**	**–781**	**1,761**
Excl. capital gains in associated companies	–116	–273	1,401	–1,177	1,394	–1,184	1,761

Fixed assets

MSEK	Intangible fixed assets 30 Sep 2000	30 Sep 1999	31 Dec 1999	31 Dec 1998	Tangible fixed assets 30 Sep 2000	30 Sep 1999	31 Dec 1999	31 Dec 1998
Opening balance	**2,146**	**1,844**	**1,844**	**1,566**	**33,318**	**34,801**	**34,801**	**39,239**
Purchases	23,035	189	708	471	9,218	4,939	7,342	7,292
Operations acquired	26	3	15	–	2,065	114	12	138
Sales/retirements	–0	–3	–31	–17	–748	–184	–1,322	–5,253
Reclassifications	–188	1	–18	22	356	–73	44	159
Depreciation for the period	–487	–208	–286	–244	–5,329	–5,397	–7,261	–6,983
Write-downs for the period/write-downs added-back	–	–46	–46	–	–1	–	–115	9
Fixed-asset contributions from cable TV customers	–	–	–	–	20	35	45	64
Exchange rate differences	736	–91	–40	46	75	–195	–228	136
Closing balance	**25,268**	**1,689**	**2,146**	**1,844**	**38,974**	**34,040**	**33,318**	**34,801**

Equity

MSEK	30 Sep 2000	30 Sep 1999	31 Dec 1999	31 Dec 1998
Opening balance	**32,893**	**29,344**	**29,344**	**25,487**
Dividend	–1,470	–1,400	–1,400	–1,210
New share issue	12,750	–	–	–
Underwriting expenses after tax, booked directly to equity	–206	–	–	–
Capital infusion from outside investors	–	–	613	–
Share of earnings in companies previously outside the Group	29	–	–	–
Differences arising from the translation of foreign operations	1,679	–193	19	105
Translation differences after tax on forward contracts used as equity hedge	–63	23	95	–49
Net income for the period	2,870	2,467	4,222	5,011
Closing balance	**48,482**	**30,241**	**32,893**	**29,344**

Changes in share capital

	Number of shares ('000)	Par value, SEK/share	Share capital, KSEK	Average number of shares (full years 1998 and 1999 and Jan–Sep 2000)
Share capital, Dec. 31, 1998, and Dec. 31, 1999	**8,800**	**1,000.00**	**8,800,000**	**2,851,200,000**
Bonus issue, May 20, 2000	–	1,036.80	323,840	–
324:1 split, May 20, 2000	2,842,400	3.20	–	–
New share issue, settlement date June 16, 2000	150,000	3.20	480,000	–
Share capital, Sep. 30, 2000	**3,001,200**	**3.20**	**9,603,840**	**2,909,776,642**

Financial debt instruments

MSEK	Book value 30 Sep 2000	31 Dec 1999	Market value 30 Sep 2000	31 Dec 1999
In the balance sheet				
Long-term loans, excl. derivatives	20,857	9,134	20,845	9,419
Short-term loans, excl. derivatives	17,439	6,953	17,698	7,084
Interest swaps, received	–1,790	–843	–98	–44
Interest swaps, paid	2,232	1,043	135	66
Currency swaps, received	–12,317	–5,572	–4,428	–346
Currency swaps, paid	11,583	5,188	4,428	346
Total	**38,004**	**15,903**	**38,580**	**16,525**
Off-balance sheet				
Currency derivatives purch'd	10,196	3,382	10,698	3,422
Currency derivatives sold	19,403	8,837	19,652	8,874

Contingent liabilities and assets

MSEK	30 Sep 2000	31 Dec 1999
Collateral pledged		
Blocked funds in bank acc'ts	41	41
Real estate mortgages	–	2
Chattel mortgages	1	7
Shares in assoc. companies	26	26
Total	**68**	**76**
Contingent liabilities		
Credit guarantees, completion	1,122	1,182
Bonds, guarantees etc. FPG/PRI	161	161
Other contingent liabilities	169	273
Total	**1,452**	**1,616**
Contingent assets		
Company funds at SPP	–	541
Total	**–**	**541**

Contractual investment obligations

MSEK	30 Sep 2000	31 Dec 1999
Tangible fixed assets	9,236	1,396

Accounting Principles

Consolidated financial statements. For the third quarter as well as in the most recent annual report, the Telia Group's accounts have been prepared in accordance with the Swedish Annual Accounts Act and applying International Accounting Standards (IAS). In the balance sheet, pension obligations have been reduced by the market value of funds reserved for Telia's pension funds. The accounts for the parent company Telia AB were prepared in accordance with Swedish legislation and generally accepted accounting principles in Sweden. This report was prepared in accordance with IAS 34 "Interim Financial Reporting."

IAS 39, "Financial Instruments", takes effect on January 1, 2001. No evaluation has been made of the effect on income, if any, that would result from the application of IAS 39.

Leasing. When the Group sold fiber and ducts in the operations of its international carrier business, title was not transferred to the lessee. For such cases, IAS 17 does not provide clear-cut rules on how to classify contracts entered into as financial or operating leases. However, U.S. GAAP (FAS 13) stipulates that title must be transferred for the leasing of real property to be reported as financial leasing. In the interpretation of FAS 66 (FIN 43) it is determined that integral equipment shall be defined as real property. Current practice is that cables and similar equipment are included in integral equipment. Telia decided to report these transactions as operating leases in the consolidated financial statements. Direct sales costs for each agreement are capitalized and written off over the period of the agreement.

Securitization. During the first half of the year, some of the Group's leasing receivables were securitized. IAS practice (application of SIC-12) is under preparation. U.S. GAAP (FAS 125) stipulates that leasing receivables be included in the consolidated accounts, with the terms stipulated by the securitization contracts. Telia chose to include the securitized leasing receivables in its consolidated financial statements.

Company Funds at SPP. The Group's share of company funds at SPP amounts to a nominal MSEK 553, of which MSEK 104 was received in cash during the third quarter. The funds can be applied over a period longer than three years, so they have been discounted with a 5.5 percent interest factor. The discounted amount, MSEK 481, has been reported as other revenue and is not included in underlying EBITDA. MSEK 377 is reported as an asset in the balance sheet, divided into current and long-term receivables.

Goodwill NetCom. Goodwill as a result of the acquisition of NetCom ASA is written off on a straightline basis over a period of 20 years and is classified as a cost of production in the income statements.

Pro forma accounts. A new business organization for the Group was progressively implemented in 2000. Accordingly, comparative figures for the business areas in this report have been restated pro forma.

U.S. accounting principles. IAS deviates in certain respects from the American U.S. GAAP. A complete reconciliation against U.S. GAAP is found in the Group's 1999 Annual Report. Operations during the first three quarters of 2000 have not contributed any new reconciling items.

FASB Statement No. 133 "Accounting for Derivative Instruments and Hedging Activities" must be applied for a financial year beginning after June 15, 2000 and may not be applied retroactively. No evaluation has been made of the effect on income, if any, that would result from the application of FAS 133.

Related Party Transactions

The Swedish state. The Telia Group's range of services and products is offered to the Swedish state, its agencies, and state-owned companies in competition with other operators and on conventional commercial terms. Certain government-owned companies conduct business in competition with Telia. Likewise, Telia purchases services from state-owned companies at market rates and on conventional commercial terms. Neither the Swedish government, its agencies, nor state-owned companies represent a significant share of Telia's net sales or income.

Telia pays annual fees to the Swedish National Post and Telecom Agency (PTS) to fund the Agency's activities, as must other operators subject to registration with the PTS. The fee is set at 1.5 thousandths of the sales that the operator has for activities that require a permit.

Eniro. Telia owns a participating interest in Eniro AB. Several agreements have been established between Telia and Eniro in preparation for Eniro's listing on the OM Stockholm Exchange on October 10. Telia divested to Eniro all outstanding shares in those subsidiaries active in directory operations, with the exception of Telia InfoMedia Varumärke AB, which owns certain trademarks used in Eniro's operations. Eniro will take possession of the shares in Telia InfoMedia Varumärke during the first quarter of 2001 and has until that time exclusive beneficial rights to the trademarks. Eniro's interest-bearing promissory note to Telia for all share acquisitions amounted to a nominal MSEK 997. In addition, Telia, with its statutory obligation to provide directories containing basic subscriber information to all fixed telephony subscribers in Sweden, appointed Eniro as the official publisher of such information (i.e. the directories Vita Sidorna and Rosa Sidorna). Eniro will receive compensation for this in the amount of MSEK 20 per year starting on July 1, 2000. Furthermore, Telia will, if outstanding shares in the at present 49 percent holding in the Polish directory company Panorama Polska are acquired, give Eniro an irrevocable option to acquire all shares in said company at market value. Telia has informed Eniro that it has no intention to start up any operations in competition with Eniro for a certain amount of time.

Comsource/Eircom. Telia owns 40 percent of the Irish company Comsource UnLtd; KPN of the Netherlands owns the other 60 percent. Comsource in turn owns 35 percent of the shares in Eircom plc. At the end of the period, Telia had interest-bearing loans to Comsource totaling MSEK 5,967, granted primarily to finance the acquisition of the company's stake in Eircom.

Unisource/AUCS. Telia previously held equal stakes in Unisource N.V. together with Swisscom and KPN of the Netherlands. All operations in Unisource except for AUCS Communications Services (AUCS) were sold or shut down in 1999. Thus, Unisource received cash and cash equivalents that have now been lent pro rata to the partners pending final closure of the company. Telia's debt to Unisource at June 30 totaled MSEK 3,280. At July 1, Unisource was dissolved and all assets were distributed pro rata to a subsidiary of each party, in Telia's case, Telia Telecommunications International B.V. (TTI). Telia's liability is thereby primarily attributable to TTI and is eliminated in the consolidated accounts. Share of earnings in associated companies includes the interest in AUCS starting from the lastmentioned date.

Tess. Telia owns a participating interest in Tess S.A., a mobile operator in Brazil, making it an associated company. At the end of the period, Telia AB and Telia Overseas AB had interest-bearing claims on Tess totaling MSEK 1,739 and MSEK 1,158 respectively.

Other. In addition, Telia buys and sells services and products to a limited extent from these and other associated companies, in all cases on conventional commercial terms.

Non-Cash Transactions

Scandinavia Online. Telia invested MSEK 153 in the associated company Scandinavia Online AB (SOL) with no cash payment in conjunction with the listing of the company on the stock exchange. Telia received new shares in SOL by converting a claim of MSEK 50 and by contributing all shares in its Finnish subsidiary Telia InfoMedia Interactive Oy, with an assessed market value of MSEK 103. The other partners in SOL contributed operations, thus diluting Telia's stake in the company and resulting in a non-cash capital gain of MSEK 161.

Altitun. The entire shareholding in Altitun AB was sold for consideration in the form of shares in the listed U.S. company ADS Telecommunications, Inc. This transaction resulted in a non-cash investment of MSEK 182.

Eriline. Telia's Brazilian associated company Eriline Celular S.A. owns a small stake in the operator Tess S.A. A claim of MSEK 235 MSEK on Eriline has been converted into shares in the company.

Bank Credit Facilities

Limits for two open-market financing programs were raised during the period. The limit for Euro Medium Term Notes (EMTN) was raised by GUSD 1 to GUSD 2 and for Flexible Term Notes (FTN) by GSEK 4 to GSEK 12.

The Group has taken two public loans totaling MEUR 800 in the EMTN program. The loans are long-term loans with a three-year term to maturity (MEUR 500) and a five-year term to maturity (MEUR 300). Telia has taken on additional long-term borrowing in the form of FTN bonds with terms to maturity between three and seven years. Short-term borrowing, including through the Group's Euro Commercial Paper Program, was also utilized in the first nine months.

This increased borrowing was mainly a result of payments for the acquisition of NetCom ASA.

Subscription Development[1)]

('000)	30 Sep 2000	30 Jun 2000	31 Mar 2000	Full Year 1999	Full Year 1998	Full Year 1997	Full Year 1996
Fixed telephony, PSTN, Sweden	5,807	5,816	5,861	5,889	5,965	6,010	6,032
Mobile telephony							
Sweden	3,147	2,987	2,778	2,638	2,206	1,935	1,745
Norway	810	–	–	–	–	–	–
Other Nordic countries	406	321	257	203	120	–	–
ISDN channels, Sweden	795	757	687	630	424	244	129
Internet, Sweden	720	693	659	613	457	230	105
Cable TV							
Sweden	1,357	1,356	1,350	1,348	1,330	1,308	1,291
Other Nordic countries	171	171	171	170	164	145	137
Rest of world	138	105	89	80	54	35	28

1) For further information: www.telia.com, Investor Relations, Operational Data (additional information).

Definitions

ARPU. Average monthly revenue per user.

Adjusted equity. Reported equity less the proposed dividend.

Capital employed. Balance sheet total less non-interest-bearing liabilities, non-interest-bearing provisions reported, and the proposed dividend.

Churn. Number of customers that have left the company expressed as a percentage of the average number of customers.

Debt/equity ratio. Net interest-bearing liabilities divided by adjusted equity.

EBITDA. Operating income with depreciation, amortization, and write-downs added back.

Earnings per share. Net income divided by the weighted average number of shares.

Equity/assets ratio. Adjusted equity expressed as a percentage of the balance sheet total.

ISDN channels. Each basic access is counted as two channels, and each primary access as 30 channels.

Interest coverage rate. Operating income plus financial revenues divided by financial expenses.

Net borrowings. Interest-bearing liabilities less interest-bearing assets but including participations in associated companies.

Net cash flow. Increase (–) or decrease (+) in net interest-bearing liabilities.

Net interest-bearing liability. Interest-bearing liabilities and provisions less interest-bearing assets but including participations in associated companies.

Notation conventions. To conform with Swedish and international standards, this report applies the following notations.

Currencies:	Swedish kronor	SEK
	US dollars	USD
	euro	EUR
Prefixes:	thousand	K
	million	M
	billion	G

Operating capital. Capital employed excluding financial assets but including participations in associated companies and non-interest-bearing accounts receivable.

Rate of turnover of capital. Net sales divided by the average balance sheet total.

Return on equity. Net income expressed as a percentage of average adjusted equity. For partial years, the return is calculated on a rolling 12-month basis.

Underlying EBITDA. EBITDA adjusted for share of earnings in associated companies, capital gains/losses (excluding capital gains/losses in the venture capital business and from telecom investments outside the Nordic countries), costs of personnel restructuring (including contractual pension obligations), common pension commitments, year 2000 compliance, the stock exchange listing, and preparations for integration with Telenor.

Underlying EBITDA margin (underlying gross margin). Underlying EBITDA expressed as a percentage of net sales.

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Telia AB (publ), SE-123 86 Farsta, Sweden, Company reg. no. 556103-4249, Registered office: Stockholm